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Message Text

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12
ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 AGR-05 SP-02 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 /088 W
---------- 096048
R 031730Z APR 75
FM AMEMBASSY RABAT
TO SECSTATE WASHDC 5048
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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E.O. 11652: N/A
TAGS: EFIN EGEN MO
SUBJ: MOROCCAN CENTRAL BANK TO ENTER EURO-MONEY MARKET

REF: EAL/KIQ-58; RABAT 6129 DEC. 19, 1974, PAR 9 (NOTAL);
RABAT 680 AND 648 (NOTAL)

1. CONFIRMING EMBASSY'S EARLIER REPORTS THAT GOM WOULD PROBABLY BE PRESSED TO RAISE SUBSTANTIAL LOAN IN EURO-MART AS RESULT PARTIAL CROP FAILURE, HIGHER IMPORT COSTS, AND RECURRING LIQUIDITY PROBLEMS, VISITING CITIBANK OFFICIAL EARLIER THIS WEEK INFORMED ECOUN THAT GOM HAS INVITED CITIBANK AND SEVERAL EUROPEAN BANKS TO PREPARE COMPETETIVE PROPOSALS FOR FLOATING $100 MILLION LOAN.

2. HAVE SINCE HAD VISIT BY BANKAMERICA PARIS VP WHO RELATED SLIGHTLY DIFFERENT UNDERSTANDING. BANKAMERICA REP ASSERTS
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BANQUE DU MAROC FIRST INTENDS TEST MARKET WITH SMALLER $20

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MILLION BORROWING AND SAYS ANNOUNCEMENT MAY BE EXPECTED WITHIN TWO WEEKS. CONFIRMS HOWEVER THAT WORK ON PROPOSALS FOR LARGER LOAN GOING AHEAD.

3. BOTH BANK SOURCES AGREE GOM WILL HAVE TO PAY AT LEAST ONE AND A HALF PERCENT ABOVE CURRENT LONDON INTERBANK RATE, I.E. 6.75 PLUS 1.5 FOR 8.25 TO 8.5 PERCENT TOTAL. CENTRAL BANK HAS 9 PERCENT CEILING, IMPLYING VERY SMALL RISK MARGIN AND HIGHLY COMPETITIVE BIDDING.

4. CITIBANK MAKING VERY CAREFUL ASSESSMENT POLITICAL AND FINANCIAL OUTLOOK AS PRELUDE TO DECISION. BANKAMERICA REP PROFESSED SELF SATISFIED WITH MOROCCO'S PERSPECTIVES ON BASIS PHOSPHATE OUTLOOK AND PAST CREDIT RECORD, BUT DOES NOT INTEND TO GO AFTER THIS PARTICULAR BUSINESS.

5. COMMENT: BANKERS WHO HAVE SPOKEN TO US EARLIER ABOUT PROBABLY GOM BORROWING NEEDS HAVE SAID THEY HAVE CONSISTENTLY ADVISED LARGER BORROWING TO ESTABLISH GOM IN INTERNATIONAL MARKET. MINIMUM USUALLY MENTIONED IN $60-$75 MILLION RANGE. WHILE WE CANNOT DISCOUNT BANKAMERICA VIEW THAT SMALLER BORROWING MAY PROCEED LARGER, EMBASSY JUDGMENT IS THAT ENTRY WILL PROBABLY BE MADE FOR FULL $100 MILLION.

6. GOM HAS ALSO APPROACHED US FOR LARGE CCC CREDIT. AT TIME APPROACH MADE, CCC LENDING WAS AT 10-11 PERCENT. THIS HAS NOW FALLEN TO 8 PERCENT -- A FACT WHICH COULD NOT HAVE AS YET ENTERED INTO GOM CALCULATIONS. IF EURO-BORROWING WILL COST ABOVE 8 PERCENT, GOM INTEREST IN CCC CREDIT CAN BE EXPECTED TO INTENSIFY. EMBASSY STILL AWAITING CERTAIN SUPPORTING DATA FROM GOM BEFORE SUBMITTING COUNTRY TEAM RECOMMENDATION ON GRAIN REQUEST. (CCC AND TITLE I). END COMMENT.
NEUMANN

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Disposition Authority: MorefiRH
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ISecure: 1
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